

**OFFICE OF THE INSURANCE COMMISSIONER
MARYLAND INSURANCE ADMINISTRATION**

MARYLAND INSURANCE
ADMINISTRATION
EX REL LEONARD
FOLAND,

Complainant,

v.

STATE FARM FIRE &
CASUALTY COMPANY

Licensee.

* REVIEW OF A RECOMMENDED
*
* DECISION ISSUED BY
*
* RICHARD O’CONNOR
*
* AN ADMINISTRATIVE LAW JUDGE
*
* OF THE MARYLAND OFFICE OF
*
* ADMINISTRATIVE HEARINGS
*
* OAH No.: MIA-CC-33-23-07369
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* MIA No.: MIA-2023-02-006
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FINAL ORDER

Pursuant to Md. Code Ann., Ins. § 2-210(d)¹ and Code of Maryland Regulations (COMAR) 31.02.01.10-2H, the undersigned Associate Commissioner for the Maryland Insurance Administration (“MIA”) hereby clarifies the disposition and issues this summary affirmation of the Proposed Decision below.

On August 22, 2022, the MIA received a complaint from Leonard Foland (hereinafter “Complainant”) alleging that State Farm Fire & Casualty Company (hereinafter “Licensee”) erred in the handling of a renter’s insurance claims in refusing to pay the replacement value of personal items stolen. The MIA investigated the Complaint, and on February 7, 2023, it issued a determination letter concluding that the Licensee did not violate Maryland’s insurance laws in the

¹ Unless otherwise noted, all statutory references are to the Insurance Article of the Annotated Code of Maryland.

handling of the renter's claim. This letter specifically referenced Sections 4-113(b)(5) and Sections 27-303(2), and (6). The Complainant requested a hearing, which was granted on February 7, 2023. This matter was then transmitted to the Office of Administrative Hearings ("OAH") to conduct a contested case hearing and to issue a Proposed Decision pursuant to COMAR 31.02.01.04-1A. In its referral to the OAH, the MIA noted that specific attention at the hearing would be directed to the Annotated Code of Maryland, Insurance Article, Sections 4-113 and 27-303.

On May 10, 2023, a hearing was held before Administrative Law Judge ("ALJ") Richard O'Connor. On June 7, 2023, ALJ O'Connor issued a Proposed Decision setting forth factual and legal findings with respect to Section 27-303(2) but did not make Conclusions of Law with respect to Section 27-302 (6) and Section 4-113(b)(5). On the same date, OAH mailed the Proposed Decision to the Parties in this case. Attached to the Proposed Decision was the notice regarding the Right to File Exceptions, which advised the Parties that, pursuant to COMAR 31.02.01.10-1, they had the right to file written exceptions with the Undersigned within twenty (20) days from receipt of the Proposed Decision. Neither Party filed exceptions in this case.

I have carefully evaluated the documentary record in this case and the Proposed Decision by ALJ O'Connor. Based on this review, I am persuaded that ALJ O'Connor's Conclusion of Law that Licensee did not violate Section 27-303(2) are correct, and, pursuant to COMAR 31.02.01.10-2D, hereby affirm this finding.

On page 9 of the Proposed Decision, ALJ orders that the "Licensee not be found in violation of section 27-303(2) of the Insurance Article and that the charges made by Complainant be **DENIED AND DISMISSED.**" I find it necessary to clarify the disposition of the case. Rather

than dismissing the Complaint, I conclude that the determination issued by the MIA shall be hereby **AFFIRMED** based on the Findings of Fact and Discussion provided by ALJ O'Connor.

I further find, pursuant to COMAR 31.02.01.10-2(C)(2), that ALJ O'Connor's Findings of Fact clearly support a finding that Licensee did not violate Section 4-113(b)(5). Specifically, the evidence does not support the conclusion that the Licensee refused payment without justification in violation of Section 4-113(b)(5) because the Complainant failed to provide proof that he was entitled to replacement cost benefits under the renters policy. ALJ O'Connor noted that Claimant lives with his daughter and had personal property in his daughter's vehicle, which was stolen on or about October 13, 2021. The ALJ further noted that on or about December 19, 2021, Complainant submitted a claim under the renter's policy of his daughter with Licensee for items that were stolen with the vehicle. Under the renter's policy, Licensee will pay the replacement value of covered items. ALJ O'Connor found that the complainant had purchased replacements for a number of items that he had claimed to have lost in the car theft. To get the Licensee to pay the replacement cost of the stolen goods, the Complainant provided receipts. The Complainant then returned the items to the store where he purchased them and received full refunds. The Licensee stopped payment on two checks it had issued for replacement value, and on August 30, 2022, denied Claimant's claim for replacement value reimbursement. Additionally, as determined by ALJ O'Connor, on October 19, 2022, the Complainant made purchases at Nordstrom and provided the Licensee with a receipt in order to receive replacement cost value coverage. After that, the Complainant returned the majority of the purchases for a complete refund. On or about October 22, 2022, the Complainant also gave the Licensee a list of additional items that he claimed were in the stolen car, but he left out any

details about their ages, valuations, or other details. The Licensee did not pay actual cash value or replacement costs for the items. As Licensee clearly identified the basis for the denial, supported by the relevant provisions of the policy, and issued the letters explaining its decision for denying coverage, I find that Complainant has not shown that Licensee refused or delayed payment of amounts due claimants without just cause.

I further find, pursuant to COMAR 31.02.01.10-2(C)(2), that ALJ O'Connor's Findings of Fact clearly support a finding that Licensee did not violate Section 27-303(6). Specifically, ALJ O'Connor noted that Complainant submitted an inventory of items to the Licensee for items stolen with his daughter's car on December 19, 2021. ALJ O'Connor further noted that the Complainant bought replacements for several of the items he claimed to have lost in the theft of the car. The Complainant then submitted receipts to the Licensee to collect the replacement value of the stolen items. The Licensee ceased paying on two checks it had given for replacement value after the Complainant returned the goods to the retailers and got full refunds. On May 27, 2022, ALJ O'Connor found that the Complainant had admitted to the Licensee's counsel that he had returned the replacement items and received refunds. On August 30, 2022, the Licensee denied Complainant's claim for replacement value reimbursement. Additionally, as determined by ALJ O'Connor, on October 19, 2022, the complainant made purchases at Nordstrom and provided the Licensee with a receipt in order to receive replacement cost value coverage. After that, the complainant returned the majority of the purchases for a complete refund. On or about October 22, 2022, the complainant also gave the Licensee a list of additional items that he claimed were in the stolen car, but he left out any details about their ages, valuations, or other details. The Licensee did

not pay actual cash value or replacement costs for the items. I conclude that the Complainant has not demonstrated that Licensee failed to provide promptly a reasonable explanation of the rationale for a rejection of a claim because Licensee supplied upon request a reasonable explanation of the reasons for the denial, which was supported by documentation and the pertinent terms of the policy.

THEREFORE, it is hereby

ORDERED that the Proposed Decision of ALJ O'Connor is affirmed, and

ORDERED that, as a matter of law, it be found that Licensee did not violate Sections 4-113, 27-303(1), 27-303(2) or 27-303(6);

ORDERED that the determination by the MIA be hereby **AFFIRMED** based on the Findings of Fact and Discussion provided by ALJ O'Connor.

ORDERED that the Proposed Decision by ALJ O'Connor's be adopted as the Commissioner's Final order, and it is further

ORDERED that the records and publications of the Maryland Insurance Administration reflect this decision.

It is so **ORDERED** this 31st day of July, 2023.

KATHLEEN A. BIRRANE

Commissioner

signature on original

ERICA J. BAILEY

Associate Commissioner for Hearings